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THE *Demand and Price* SITUATION

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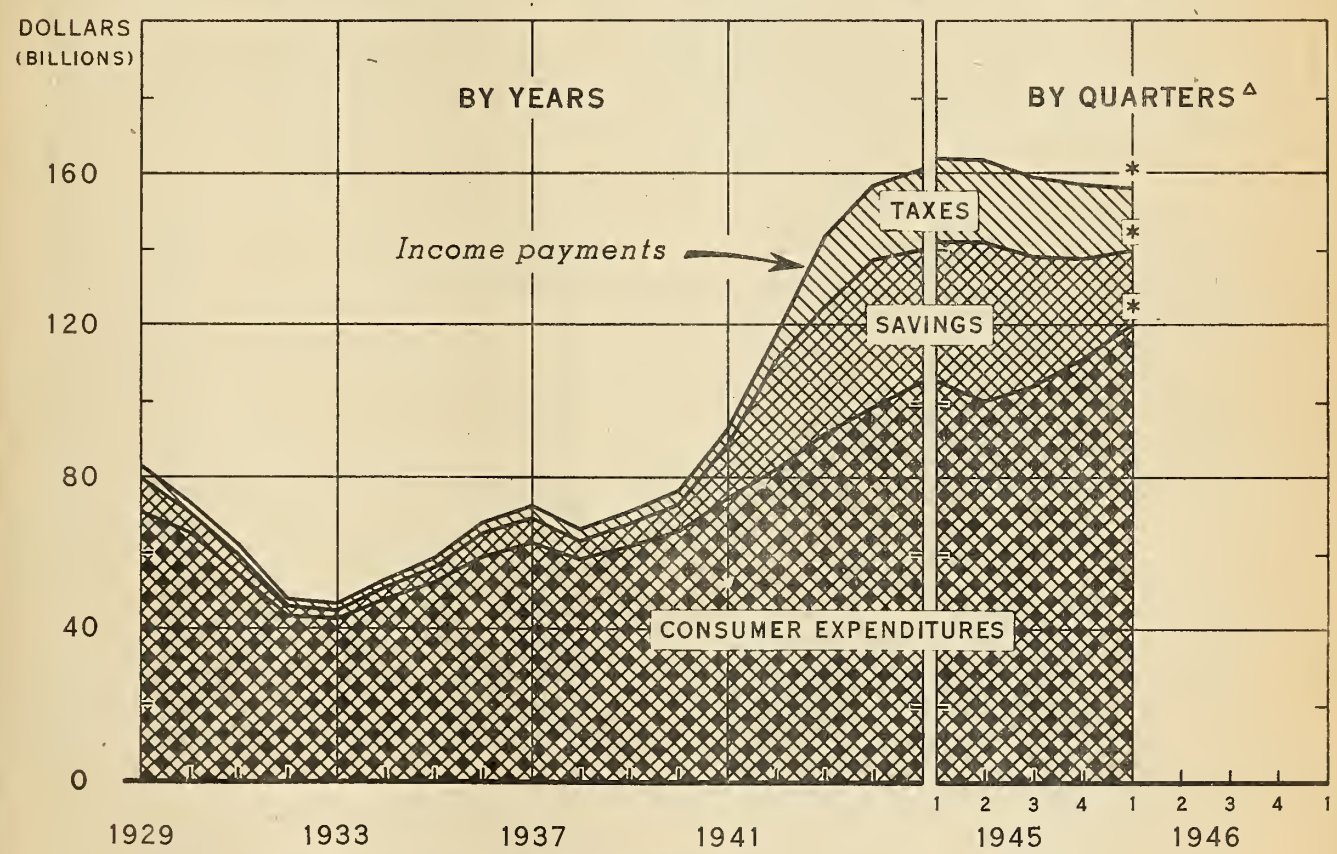
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



MAY 1946

INCOME PAYMENTS TO INDIVIDUALS, AND THEIR DISPOSITION,
1929-45, AND BY QUARTERS, JANUARY 1945 - MARCH 1946



* PRELIMINARY ^ QUARTERLY TOTALS SEASONALLY ADJUSTED AT ANNUAL RATES
SOURCE OF DATA: DEPT. OF COMMERCE

U. S. DEPARTMENT OF AGRICULTURE

NEG. 45969 BUREAU OF AGRICULTURAL ECONOMICS

The high level of domestic demand for farm products is reflected in the trend of income payments to individuals and the disposition of these payments. Income payments in the first quarter of 1946 were maintained at an annual rate of 156 billion dollars, only slightly below the total of 161 billion dollars in 1945 and more than double the total in 1939. With reduced taxes and savings, consumer expenditures in the first quarter of 1946 at an annual rate of 120 billion dollars were the highest on record. Although income payments for the year as a whole are likely to be somewhat smaller than in 1945, consumer expenditures are expected to be substantially larger than in any previous year.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1945			1946		
		Year	Mar.	Dec.	Jan.	Feb.	Mar.
Industrial Production <u>1/</u>	: 1935-39:						
Total	= 100 :	203	235	163	160	152	168
All manufactures	" :	214	252	169	163	154	174
Durable goods	" :	274	345	185	166	138	181
Nondurable goods	" :	166	176	156	161	166	168
Minerals	" :	137	142	133	140	141	138
Construction activity <u>1/</u>	: 1935-39:						
Contracts, total	= 100:	118	125	188	186	237	258
Contracts, residential	" :	64	37	137	150	233	306
Wholesale prices <u>2/</u>	: 1935-39:						
All commodities	= 100 :	131	131	133	133	134	135
All commodities except farm and food	" :	123	122	124	124	125	126
Farm products	" :	169	167	173	171	172	176
Food	" :	134	132	137	136	136	138
Prices received and paid by farmers <u>3/</u>	: 1910-14: = 100 :						
Prices received, all prod. ...	" :	202	198	207	206	207	209
Prices paid, int. and taxes ...	" :	174	173	176	177	178	180
Parity ratio	" :	116	114	118	116	116	116
Consumers' price <u>5/ 6/</u>	: 1935-39:						
Total	= 100 :	128	127	130	130	130	130
Food	" :	139	136	141	141	140	140
Nonfood	" :	123	122	124	124	124	125
Income	: 1935-39:						
Nonagricultural payments <u>4/</u> ...	= 100 :	236	240	230	229	226	229
Cash farm <u>3/</u>	" :	283	294	282	281	313	277
Income of Industrial Workers <u>3/</u>	" :	286	332	233	235	219	238
Factory payrolls <u>5/</u>	" :	307	364	241	244	224	247
Weekly earnings of factory workers <u>5/</u>	: Dollars: :						
All manufacturing	" :	44.41	47.40	41.21	41.14	40.60	---
Durable goods	" :	49.07	53.22	44.08	43.67	42.60	---
Nondurable goods	" :	38.30	38.96	38.52	38.75	39.02	---
Employment	:						
Total civilian <u>7/</u>	: Millions:	51.6	50.8	51.4	51.4	51.7	53.0
Employees in nonagri. est. <u>5/</u>	: Thous.:	36,981	38,062	36,314	35,818	35,241	35,929
Farm <u>3/</u>	" :	9,844	8,414	9,245	7,732	7,799	8,263
Government finance (Federal) <u>8/</u>	: Mil. dol.:						
Receipts, net	" :	3,837	6,892	4,118	3,819	3,678	5,747
Expenditures	" :	7,546	9,433	5,445	4,891	3,510	4,602

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U.S. Dept. of Labor, B. L. S. 3/ U.S. Dept. of Agriculture, B.A.E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U.S. Dept. of Commerce. 5/ U.S. Dept. of Labor, B.L.S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ U.S. Dept. of Treasury. Data for 1944 are on average monthly basis.

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Approved by Outlook and Situation Board -

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DEMAND FOR FARM PRODUCTS

Demand for farm products continues strong despite the retarding influence of the coal strike. The current and prospective demand for textiles, clothing and food is tremendous and is expected to exceed supplies at current prices throughout 1946.

The index of industrial production declined slightly, from 168 in March (1935-39 = 100) to 165 in April. The stoppage of bituminous coal production and the contraction of steel output were only partially offset by advances in other lines, including automobiles and trucks, the production of which rose about 50 percent from March to April. The effects of the coal strike spread rapidly through the economy, and a further decline in the index is anticipated for May. But settlement of the coal strike should bring very rapid recovery to levels above March 1946 provided there are no more major strikes.

The production of durable manufactures is particularly affected by availability of supplies of basic materials such as steel and coal, and most of the decline in industrial output for April and that anticipated for May will be reflected in the index of production of durable manufactures. Production of non-durables tends to be maintained relatively well out of inventories of materials unless these are depleted through prolonged shutdowns in basic industries. In March, when industrial production was recovering from the effects of the steel shutdown, the volume of non-durable manufactures was 18 percent above the average for 1941, the highest peacetime production year. Durable manufactures, however, were 9 percent below the 1941 average. Much of the expected substantial increase in industrial production in the latter half of 1946 will arise from durable manufactures, once ample supplies of coal and steel are forthcoming.

Total income payments in April are estimated at an annual rate only slightly below that of 156 billion dollars in March. There is no evidence of any slackening of consumer buying. However, the pervasive influence of the coal strike has operated to impede the flow of goods throughout the economy, thus delaying the time when increased supplies will be sufficient to overcome existing inflationary pressures.

THE LABOR FORCE

The Census report covering the week of April 7-13 showed continued expansion in total civilian employment to 54,550,000 reflecting reemployment of a substantial number of veterans and the usual seasonal increase in agricultural employment. Employment in April was 1,600,000 more than in March,

and 3,300,000 more than on V-J Day. For the first time since last fall, unemployment declined, from 2,710,000 in March to 2,350,000 in April. The total civilian labor force in April was estimated at 56,900,000 compared with 55,660,000 in the month previous.

The number of women in the civilian labor force continued to expand slightly in April following the withdrawal of women from the labor force which began last summer and continued until February. In April there were still 1,100,000 veterans who had not yet begun to look for work and consequently are not included in the labor force totals.

The number of persons not looking for a job but absent from work because of strikes, illness, bad weather, or vacations was reported at 2,130,000 about the same as in March.

COMMODITY PRICES

Wholesale prices continued upward, increasing from 107.7 in February to 108.9 in March, ^{1/} a somewhat greater increase than had been recorded in recent months. Increases in both farm product prices and prices of other commodities occurred with a more substantial increase in the former group. The total index for March is 3 percent higher than a year ago and 35 percent above the 1935-39 average.

The index of prices received by farmers advanced 3 points during the month ended April 15 to 212 percent of the prewar base (1909-14 = 100). This was 9 points higher than in April last year and the highest since July 1920, but 23 points below the peak of 235 attained in May 1920. Both crop and livestock prices advanced from March to April. The index of crop prices at 220 on April 15 was 5 points above March and 16 points higher than in April 1945. The index of livestock prices at 205 was 2 points higher than a month previous and 4 points above a year ago. Cattle, rye, cotton and fruits contributed most to this advance in prices. Prices received by farmers should increase moderately as a result of the higher ceiling prices for most grains effective May 13 but are not expected to change significantly from May to June.

^{1/} Bureau of Labor Statistics index of wholesale prices - (1926 = 100).

The index of prices paid by farmers, including interest and taxes, advanced 1 point from March 15 to April 15 and on the latter date was 181 (1910-14 = 100), 8 points above a year previous. As a result of the greater increase in the index of prices received by farmers, the parity ratio increased to 117 in mid-April, the same as a year previous and 1 point above the revised ratio of 116 in March.

The index of prices paid by farmers for commodities has been advancing steadily since last November and on April 15 was 188, 8 points higher than a year earlier and only 13 points below the average for 1920 (monthly data not available prior to 1923). Compared with 1939, the index has advanced 55 percent, with prices of items used in living up 63 percent and items used in production up 44 percent. Prices paid by farmers are expected to continue to advance during the next few months reflecting the higher ceilings for feeds and easings of price controls to allow for higher costs. Later in the year, the extent of the advance will depend on price control policy and how well the anticipated increase in production of goods meets the intensified consumer demand generated by high level incomes and savings.

Conditions following this war are quite similar to those following World War I which are now of considerable value in judging the effects of forces affecting prices at the present time. Many of the forces that contributed to the marked price increases in the earlier period are operating in the present situation and with greater intensity. Income payments to individuals increased 103 percent from 1914 to 1920, and in the first quarter of 1946 the annual rate of payments was increased 120 percent above the 1939 average. Currency in circulation and demand deposits also doubled in the earlier period and from the end of 1939 to the end of 1945 the increase has been more than fourfold in currency, and twofold in demand deposits. Industrial production in the early months of 1920 was 41 percent above the 1914 average, while in the first three months of 1946, it was 48 percent higher than in 1939. However, the accrued demand for goods is now far greater than following World War I.

Increase in Wholesale Prices, World Wars I and II

Item	: <u>1914 = 100</u> :		<u>1939 = 100</u>	
	: Nov. 1918	: Price peak 1920	: Sept. 1945	: Mar. 1946
Wholesale prices	:	:	:	:
All commodities	200	<u>1/</u> 246	136	141
Farm products	211	<u>2/</u> 220	190	204
All commodities other than	:	:	:	:
farm products and food	196	<u>3/</u> 262	123	126

Source: Bureau of Labor Statistics index of wholesale prices.

1/ May 1920.

2/ January 1920.

3/ August 1920.

At the end of World War I, wholesale prices of all commodities had increased by 100 percent over 1914, wholesale prices of farm products by 111 percent and prices of all commodities other than farm products and foods by 96 percent. In the period following the end of the war and the removal of the selective price controls, prices increased further to a peak 146 percent above 1914 in May 1920, eighteen months after the Armistice. Wholesale prices of farm products increased only to a level 120 percent above 1914 and reached their peak earlier, while the prices of other commodities increased sharply to a level 162 percent above the prewar years.

At the end of the recent conflict, wholesale prices of all commodities had increased only 36 percent, but prices of farm products had risen 90 percent while other than farm and food commodities had risen only 23 percent. By March of this year all commodities were 41 percent, farm products 104 percent, and other than farm products and food 26 percent over 1939 levels.

Forces today are operating in the direction of a marked increase in prices following the pattern of 1919-20. In view of the considerably more substantial price increases that have already occurred in farm products and the anticipated continued high levels of agricultural production, it is likely that, as in 1919-20, prices of farm products generally would increase less than prices of commodities bought by farmers. With continued price regulation, it is expected that further increases in prices of nonfarm commodities will be more moderate and more in line with the increased costs of production of goods. The production of goods sufficient to meet the existing demand is still many months ahead.

ACCUMULATED WAR SAVINGS AN INFLATIONARY FACTOR

One of the principal inflationary influences in the present situation is the unprecedented high level of liquid assets in the hands of individuals resulting from the accumulation of savings during the war years. According to a recent study of the Treasury Department ^{2/}, individuals' holdings of liquid assets in the form of currency, checking accounts, savings accounts in commercial banks, and federal securities totaled at the end of last year \$156 billion, the equivalent of a full year's income payments to individuals at the current annual rate.

During the years 1940-45, federal expenditures totaled \$365 billion and receipts \$156 billion. The deficit of \$209 billion during this period represents approximately the addition made by the Government to the income stream which was not spent on consumer goods because of shortages and price controls. This deficit of \$209 billion plus other minor factors including increases in bank loans to individuals and corporations was reflected in an increase of \$215 billion in total liquid assets of which \$156 billion represents individuals' holdings.

^{2/} Federal War Time Financing and Growth of Liquid Assets, Treasury Bulletin, April 1946.

Type of liquid asset	Total	Total	Total
	liquid assets,	liquid assets,	individual
	individuals,	individuals,	holdings of
	corporations and	corporations and	liquid
	State & local gov'ts	State & local gov'ts	assets
	Dec. 31, 1939	Dec. 31, 1945	Dec. 31, 1945
	Billion dollars	Billion dollars	Billion dollars
Currency.....	6	27	25
Checking accounts...	32	78	38
Saving accounts in ..			
commercial banks...	15	30	29
Federal securities...	29	162	64
Total.....	82	297	1/156

1/ If mutual savings bank accounts, postal savings and savings and loan association shares are included, total individual holdings would be increased to \$181 billion.

These tremendous liquid assets are latent purchasing power. They exert inflationary pressure on prices just by their existence, and, if used in the market before adequate supplies are available, would inflate prices tremendously. If spent slowly only as goods become available, these assets provide a source of sustained demand for goods in future years.

Since the end of the war, individuals have saved a smaller proportion of their income. In the first quarter of 1946, individuals spent 77 percent of income payments received compared with 71 percent in the last quarter of 1945 and 64 percent in the first quarter. The resulting boom in retail trade has broken all previous records by a wide margin.

FARM INCOME

Preliminary estimates for the first 5 months in 1946 now indicate that total cash receipts from farm marketings amounted to about 6,925 million dollars, 4 percent below the income of 7,181 million dollars for the same period in 1945. Cash receipts from livestock as well as from crops probably were down slightly. Dairy products, cotton, and tobacco accounted for most of the decrease.

The preliminary estimate for total cash receipts in April is about 1,300 million dollars, slightly below March 1946 and nearly 10 percent less than April 1945. Income from livestock and products was around 850 million dollars, slightly greater than in March and 5 percent below April 1945. Cash receipts from crops showed a decline of nearly 10 percent from March and were 15 percent less than April 1945.

Cash receipts in May probably will be 5 to 10 percent greater than April but about 5 percent less than May last year. Although income from livestock and products is likely to make nearly as great a percentage gain over April as last year, it is still running about 5 to 10 percent below May 1945. Cash receipts from crops are increasing slightly over April as a result of seasonal increases in receipts from vegetables and fruits. Increasing receipts are being registered by most crops, and income for all crops is around 1945 levels.

LIVESTOCK AND MEATS

Meat production for 1946 is currently forecast to be close to that of 1945. Output for last year is estimated at 22.9 billion pounds, dressed meat basis, compared with 24.6 billion pounds in 1944 and 16.2 billion pounds in 1935-39. Meat production in 1947 will be less than in 1946 with the sharpest decline occurring in pork.

Continuing high consumer incomes and large meat exports point to a strong demand and high prices for meat in the latter part of 1946 and the first half of 1947. Meat prices probably would be above present levels if there were no price controls.

Civilian meat supplies per capita during the first 5 months of 1946 were the highest for those months since the beginning of the war. Procurement for export has been large since set-asides were increased in February and March. Exports and shipments from the United States this year probably will exceed the 1.2 billion pounds (dressed meat basis) exported in 1945, but will be considerably below the 2.5 billion pounds exported in 1943 and the 1.9 billion pounds exported in 1944.

Pork production in 1946 may be slightly larger than the 10 billion pounds produced in 1945. The number of hogs slaughtered will be greater this year than last, possibly by as much as 10 percent. Hog marketings in January-April were somewhat larger in total than a year earlier. The 1945 fall pig crop, which showed a 12 percent increase over the previous year, is now being marketed, and fall and winter marketings of spring pigs are expected to occur earlier this year than last with a considerably larger proportion of the spring crop coming to market in October-December. Total beef and veal production this year is likely to be nearly as large as the record 11.8 billion pounds produced in 1945. Marketings of grain-fed cattle in the remainder of 1946 and early 1947 will be sharply below a year earlier, but a heavy movement of grass cattle is expected.

Scarcities and higher prices of feed grains resulting in a below average hog-corn price ratio since February will result in a materially smaller fall pig crop this year than the 35 million head saved last fall.

DAIRY PRODUCTS

Over-all demand for dairy products continues to exceed seasonally increasing supplies of dairy products and prices of all items are firm at ceiling levels. Prices received by farmers for dairy products in mid-April were 3 percent higher than a year earlier and about 2 percent above the previous record high for that date reached in 1920.

Unit returns to dairy farmers in the second half of 1946 will be increased over levels that have prevailed so far this year and in the comparable period of 1945, according to a mid-April announcement by the Office of Economic Stabilization. This action will be achieved either by increasing rates of production payments or by increasing price ceilings to consumers. Beginning July 1, it is proposed that the increase over a year ago be equivalent to 40 cents per 100 pounds for whole milk and 10 cents per pound for butterfat. Because of the necessity for maintaining milk production, further consideration will be given to recent increases in price ceilings for feed in any further adjustment that may be provided in returns to dairy farmers.

So far in 1946, milk production per cow has been the highest on record. But, because of fewer cows on farms, total output of milk in the first 4 months was about 2 percent smaller than in the comparable period of 1945. For the year as a whole, milk production on farms may be within 2 or 3 percent of the record output reached in 1945.

Total output of manufactured dairy products, except ice cream, will be smaller in 1946 than in 1945. But supplies of most items for civilians will compare favorably with last year's level, since noncivilian takings have been reduced. Per capita supplies in 1946 are larger than last year for cheese, condensed milk, ice cream, and dry milks; about the same for evaporated milk; but somewhat below last year's low figure for butter. Total consumption of fluid milk and cream per person will set a new high record in 1946.

POULTRY AND EGGS

Prices received by farmers for eggs during the second half of 1946 will probably average moderately below the second half of 1945. However, a sharp rise in the general price level or in meat prices would tend to keep egg prices at or near last year's levels. At least as many eggs per person will be available during the second half of 1946 as during the second half of 1945. Egg production from July through December probably will be below the corresponding period of last year, but this reduction will be more than offset by near-record midyear cold storage stocks and significantly smaller military procurement. Red meat supplies may also be larger than last year.

Prices received by farmers for turkeys during the 1946 marketing season probably will not be much below those of 1945. Light-weight birds are expected to return almost as high a price in 1946 as in 1945, but the sharp decrease in military procurement probably will result in a return to normal differentials between light and heavy birds. During the past 4 years, particularly 1942-44, heavy birds (over 16 pounds) returned almost as high a price as light-weight birds.

Turkey meat production in 1946 is indicated at about 15 percent below 1945 and exceeding any previous year. Civilian supplies probably will be at least as large as in 1945 because of the record cold storage holdings and smaller Army purchases.

Prices received by farmers for chickens in the third quarter of 1946 are not expected to average as high as in the third quarter of 1945, when the demand-supply gap was very wide on account of large Army procurement. Sales at above ceiling prices occurred during the third quarter of 1945. But in the fourth quarter of 1946 prices received by farmers for chickens are not expected to be different than in the fourth quarter of 1945. During the second half of 1946, supplies available for civilians will be only slightly below last year, even though production will be significantly less. Large cold storage stocks and significantly reduced military procurement will about offset the smaller output.

The corn purchase program (terminated on May 11 following announcement of the revised ceilings amounting to 25 cents per bushel for corn) resulted in a withdrawal from the domestic market of a considerable quantity of high quality corn during the season of usually small marketings. Marketings of feed grain for domestic users declined materially during the period in which corn was being delivered to the Government at ceiling prices plus the bonus.

The increased ceilings on grain and byproduct feeds, ranging from about 8 to 35 percent, definitely changed the price relationships between feed and livestock and livestock products. With the higher feed prices, livestock-feed price relationships are unfavorable, particularly for hog and poultry producers and cattle feeders. The recent downtrend in total livestock production will be accelerated in the coming months. This will be accompanied by some easing in the demand for livestock feed, although that probably will not be reflected much until fall. Hogs will be marketed at lighter weights, and there will be a sharp drop in the pig crop this fall, and possibly next spring. There is likely to be somewhat heavier culling of laying flocks than usual in some areas, and a sharp reduction in broiler and turkey production. Numbers of cattle grain-fed for market in the late summer and fall of 1946 will be reduced.

Market supplies of feed concentrates probably will be smaller this summer than last, and the commercial demand will continue to exceed available market supplies. There may be some increase in commercial supplies of feed grain as a result of higher prices, but supplies are not likely to be as large as last summer. Byproduct feed production will be smaller during the next few months than a year earlier, and commercial mixed feed output will be reduced about 20 percent in line with current restrictions under Government regulations.

WHEAT

With estimated export demand large enough to absorb all of a billion-bushel crop which can be spared, wheat prices are expected to continue at ceiling levels in the new marketing year. The demand in the April-June quarter is so large that the new crop will be readily taken without the seasonal decline which usually occurs when a large new crop is in prospect.

The wheat price ceiling was raised 15 cents a bushel effective May 13. The level is intended in part to reflect increases in parity for the year ahead. In mid-April, before the increase was announced, the price of wheat received by farmers averaged \$1.58, which was 99 percent of parity.

Wheat production prospects in most importing countries are indicated to be better than last year, but world wheat imports will continue large through 1946-47. It is the intent of the Department of Agriculture to export 250 million bushels from the 1946 crop on the basis of a production of one billion bushels. The exports are to be obtained by the continuation of the milling extraction restrictions, the limitation on the amount of wheat used in the manufacture of flour for domestic use, the limitations on the use of wheat by feed manufacturers, the prohibition of the use of wheat and wheat products in the manufacture of beer and alcohol, the voluntary conservation program, and set asides for government purchases.

On the basis of May 1 condition the winter wheat crop in the United States was indicated at 743 million bushels, 88 million less than on April 1. However, if the winter crop turns out as now indicated and if about an average spring wheat crop is obtained, another billion-bushel crop would still be harvested the Nation's fourth of a billion bushels or more.

Chicks and young chickens on farms May 1 totaled 458 million, about equal to May 1, 1945. A much smaller hatch is expected during June and July than in the same months of 1945, so that the total number of chickens raised in 1946 probably will be 5 to 10 percent below 1945. On the basis of past relationships this would result in a moderate decrease in the number of hens and pullets on farms January 1, 1947 compared with January 1, 1946.

FATS, OILS, AND OILSEEDS

Following the increase in ceiling prices for oilseed meals in early May the ceiling price for flaxseed was advanced 25 cents per bushel effective May 17. No change was made in the ceiling price for soybeans since the increase of \$14 per ton in the price of meal about offset the Government subsidy to processors of soybeans. No ceiling applies to cottonseed.

Some reduction in total domestic output of fats and oils is likely in 1946, largely as a result of a substantial decline in butter production. In 1945, domestic production of fats and oils totaled 9.4 billion pounds compared with a wartime peak of 10.8 billion pounds reached in both 1943 and 1944. Increases are expected this year in production of lard and grease. Output in January-March was larger than a year earlier and probably will continue at a higher level until late summer, reflecting the 13-percent increase in the 1945 fall pig crop. Total output of linseed oil from domestic flaxseed probably will increase in 1946, as total stocks of 1945-crop flaxseed were large at the beginning of the year. A moderate decline in total production of edible vegetable oils (soybean, cottonseed, corn, and peanut) is likely as a result of the short cottonseed crop.

Stocks of fats and oils on January 1, 1946, at 1,647 million pounds, were about 500 million pounds less than a year earlier. Imports probably will total less this year than the 900 million pounds received in 1945, although some increase in copra and flaxseed is likely. Exports, which totaled approximately 1,100 million pounds in 1945, are expected to decline to about 900 million pounds this year. Military procurement will be only a fraction of the 1945 total of about 1,100 million pounds. Total supplies of fats and oils for U. S. civilian use in 1946 may be slightly larger than the estimated 8.6 million pounds consumed last year, but the supply per person probably will be less than in 1945 and will continue materially short of demand at present prices.

CORN AND OTHER FEED

The Government, in April and May, instituted a number of actions having an important bearing on the demand for and price of feed. Of greatest importance was (1) the Government corn and wheat purchase program initiated in mid-April, wherein producers were offered ceiling prices plus a bonus of 30 cents per bushel for wheat and the better grades of corn, and (2) the sharp upward revision in ceiling prices of principal grains and byproduct feeds effective May 13.

In an effort to maximize exports, with only 339 million bushels on hand April 1 it has been necessary to sharply curtail the domestic use of wheat, greatly increase the movement to ports, and reduce stocks so that the carry-over July 1 may be as low as 80 to 100 million bushels. This would be the smallest since the 83 million bushels of 1937.

The various orders issued to reduce consumption, together with voluntary savings and the shutting down of mills for lack of wheat, may reduce wheat food use in the April-June quarter to about 85 million bushels, compared with 132 million bushels in April-June 1945. Food use in January-March 1946 is estimated at 133 million bushels. Most of the 21 million bushels needed to seed the 1946 spring crop were used in this quarter. It now appears likely that exports will be between 85 and 100 million bushels. The increase in the price of wheat and the bonus payments, in addition to the restrictions in the use of wheat in commercial feeds, should result in a substantial reduction in the quantity fed. Over 100 million bushels were fed in the January-March quarter compared with 82 million bushels in the same quarter in 1945. In April-June 1944 and 1945, feed use amounted to 84 million and 54 million bushels, respectively.

FRUIT

With demand for fresh fruit continuing strong, prices during late spring are expected to remain near the high wartime levels of a year earlier. Although citrus in May will continue to provide the major tonnage of fresh fruit marketed, 1946-crop deciduous fruit in June will constitute an increasing percentage of the total as shipments of the new crop gain in volume.

Prices for oranges at terminal markets during late spring and summer are expected to continue generally at ceilings. Although supplies of Florida oranges remaining to be marketed after mid-May are substantially larger than a year ago, shipments have reached a seasonal peak and demand is expected to continue sufficiently strong to move the remainder at or near ceiling prices. Supplies in California remaining to be marketed after mid-May are considerably smaller than a year earlier, when prices declined partly because of the high percentage of small-sized oranges.

With fresh market shipments of grapefruit now declining seasonally, prices for the preferred grades and sizes at terminal markets probably will continue at ceilings. Prices for lemons, which during April and early May were considerably lower than a year earlier but slightly higher than two years earlier, are expected to advance considerably as summer demand becomes effective. Prices for all fresh market citrus fruit this season have been strengthened by the strong demand for citrus for processing.

Prices for the small remaining stocks of 1945-crop apples are expected to continue at ceilings. Prices for fresh strawberries, the shipments of which are now declining seasonally, probably will continue near current levels, which are about the same as a year ago. Price ceilings for fresh strawberries were suspended indefinitely April 12.

With the outlook for a larger total tonnage of deciduous fruits in 1946 than in 1945, prices for individual deciduous fruit crops that are in relatively large supply may average slightly lower this season than last.

TRUCK CROPS

Wholesale prices for nearly all commercial truck crops produced for fresh market shipment are expected to be lower this June and July than a year earlier. Although demand for fresh vegetables this spring may be as strong as a year earlier, large increases in supply make lower prices probable. Prices in early May were lower than a year earlier for a majority of the truck crops and were declining seasonally. Total commercial production for fresh market shipment this spring (April, May, and June) is indicated to be 17 percent greater than the record high established last spring and 46 percent above the 10-year (1935-44) average. Estimates for nearly one-half the total summer acreage indicate an increase of 21 percent over 1945 and 25 percent above average.

Although total stocks of canned vegetables held by packers and distributors at the beginning of the 1946 pack year are estimated to be slightly larger than a year earlier, canners have been active in lining up acreage for this year. Including acreages already planted or contracted, processors intend to plant or contract larger acreages than last year for lima beans, sweet corn, cucumbers for pickles, green peas, pimientos, and tomatoes. All of these acreages would be larger than average except pimientos. Slightly smaller acreages than those planted last year, but much larger than average, are in prospect for snap beans and beets. Acreage contracted for kraut cabbage may be nearly as large as last year, but the quantity to be purchased by processors on the open market has not been estimated.

POTATOES AND SWEETPOTATOES

Prices received by growers for early 1946-crop potatoes are expected to decline seasonally through June, July and August, at levels lower than a year earlier, and little if any above support levels. Prices tumbled in late April and early May, as carlot movement of the new crop increased rapidly. Although 1945-crop potatoes continued to move in early May in about double the volume for the same period last year, shipments of new potatoes dominated the market and prices of old potatoes fell moderately below the April levels. With ample supplies of old potatoes available and with record high spring supplies available from the early commercial crop, prices for potatoes are expected to stay at or near support levels despite continued strong demand.

Ceiling prices continue to be paid for 1945-crop sweetpotatoes for which the marketing season is virtually completed.

WOOL

United States mill consumption of apparel wool in 1946 now seems likely to be close to the wartime annual average of a billion pounds, grease basis, and will be much larger than in any previous peacetime year. Weekly average consumption in March of about 21* million pounds, grease basis, was equivalent to an annual rate of 1,100* million pounds. The rate of consumption in the first quarter of 1946 was about 20 percent higher than in the last half of 1945. Completion of the reconversion to civilian production and improvement in the labor situation have contributed to the increase in mill consumption in recent months. Present civilian demand for wool clothing and demand for fabrics and clothing for commercial inventory replenishment undoubtedly would support an even higher rate of mill consumption.

*Based on figures reported on a scoured basis in the advance report of the Bureau of the Census.

Prices of domestic wool to United States growers and to mills will continue to be determined by the Government's purchase and sales program at least through November 1, 1946. Prices of foreign wool are now largely determined by the prices at which the British Joint Organization is selling Australian, New Zealand, and South African wool. These prices will remain unchanged through June 30, the end of the present selling season in those countries. Prices after July 1 will largely be determined by the British program for the new season. When auctions are resumed, the British Joint Organization will regulate offerings and will be prepared to buy British Dominion wool at the "stabilization price" if it is not purchased by commercial interests at that or higher prices. This will act as a support for prices in foreign markets. World supplies of wool are unusually large but most of the supply for export will be controlled by the British Joint Organization. Prices in South American markets have been firm in recent months, and on most grades apparently have been fully in line with prices of Australian and New Zealand wool.

Since the latter part of February, Commodity Credit Corporation selling prices for most grades of domestic wool have been more nearly in line with prices of comparable imported wool, but sales of domestic wool continue relatively small. March sales when converted to an annual rate were little more than half of our indicated 1946 domestic production. Commodity Credit Corporation stocks of domestic wool on April 1 totaling approximately 460 million pounds, grease basis, were 168 million pounds larger than a year earlier and more than a year's domestic production. The 1946 clip is now arriving in volume for appraisal and purchase and Commodity Credit Corporation stocks will increase rapidly unless sales to mills are greatly increased.

COTTON

The 10 spot market price of middling 15/16-inch cotton was 27.47 on May 11 which compares with 22.46 cents a year earlier.

Demand for American cotton by domestic mills and for export continues strong. The rate of domestic mill consumption increased for the fourth consecutive month from February to March and if consumption continued at March's rate for the remainder of this crop year about 9.3 million bales would be consumed. Some seasonal decline is expected during the last four months of the 1945 crop year (even if the coal strike does not effect consumption), and consumption for the year ending July 31, 1946, is still estimated at a little over 9 million bales. The March daily rate of consumption is the highest peacetime rate on record and may exceed consumption for civilian use in the peak war year 1942. Exports for the year ending July 31, 1946, are now estimated at around 3.5 million bales. The Commodity Credit Corporation has scheduled 650,000 bales for export to Japan under the military export program before July 31, 1946, and 154,000 bales are scheduled for export to Germany, some of which is to be moved this season. However, none of the 200,000 bales originally scheduled for shipment to Japan in March were actually shipped until April. Inadequate unloading facilities in Japan, difficulties in procuring maritime workers, and other merchandising difficulties may prevent shipment of the full 650,000 bales according to schedule.

Two recent developments necessitate a lowering of the August 1, 1946, estimate of American cotton carry-over in the United States to about 7.5 million bales. These two developments are (1) a reduction of 200,000 bales in the 1945 crop estimate and (2) an increase of 200,000 bales in estimated 1945 crop year exports.

